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of Organizational Innovation

# **PROCEEDINGS OF 2015 ICOI THE INTERNATIONAL CONFERENCE ON ORGANIZATIONAL INNOVATION**

**Aug., 4 – 6, 2015**

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## **Survey Analysis on Factors Affecting Corruption of Local Authorities and Its Prevention in Central Java**

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### **Abstract**

This study aims to identify the effectiveness and efficiency of the implementation of good governance based on information technology (e-Governance) in the Central Java provincial government. It is intended that the corruption done by government officials could be prevented/avoided. To achieve this goal it is necessary to identify the existing conditions and constraints that arise both from internal and external factors that may impede the implementation of this system.

The population in this study is all whole Unit of SKPD in Central Java Provincial Government with the unit of analysis the Head of SKPD. In this study, the samples are taken by using proportional random sampling.

The results of discussion on the study of corruption and e-governance conclude that the types of state capture, influence and administrative corruption can happen anytime and anywhere. Yet, the biggest concern of the corruption by government officials is administrative corruption. To prevent the corruption of local governments, it should implement the use of e-governance or the application of information technology to support the implementation of good-governance systems. However, the most important thing is the commitment of all officials in local government.

**Keywords:** E-Governance, State Capture, Influence, Administrative Corruption

## Background of the Problems

Indonesia currently has occupied the top position in the world in terms of corruption. Many cases of corruption occur in this country, even many experts claim Indonesia as a corrupt country. Corruption in Indonesia has become tangled and interwoven in almost all sides and levels of life, starting from the Neighborhood (RT) to the village level. In addition to reaching the lowest level, corruption also affects the bureaucracy such as house of people's representative, military, businesses, banking, education, and religious institutions, even the institutions in charge of combating corruption such as the police, the judiciary and prosecutors (Muzadi, 2006: 7).

The results of the Corruption Perception Index (CPI) in 2007 launched by Transparency International show that Indonesia is ranked 143 with a value of 2.3. With the CPI value, Indonesia is the most corrupt country in the world along with 71 other countries with the score value of less than 3. In addition, the data from the Indonesian Corruption Watch (ICW) explain that in 2007 there has been a rise in cases of corruption if compared to the previous year, which is about 161 cases with leakage to reach Rp. 14.4 trillion (Transparency International 2007: 2). This surely will have an impact on the views of other countries to Indonesia that in turn will bring multiplied effects in all aspects.

According to Hatta, as quoted by Masdar Hilmy, in the New Order era, corruption in Indonesia has been entrenched. Corruption has become a culture that goes to the heart and every aspect of life. Public are proud of and preoccupied with corruption. Regional autonomy with the goal to equalize and advance the population is eventually affected by the growing prevalence of corruption (Tarmizi Taher 2005: 109). Although Indonesia is well-known as a religious state, but according to Azyumardi (2004), the low and high level of corruption are not related to religion, but it is associated with strict legal order and accompanied by vigorous enforcement against perpetrators of corruption.

Central Java, one of the provinces in Indonesia, is not far from the problem of corruption. According to anticorruption activists in Semarang, the Committee of Inquiry and Combating Corruption, Collusion and Nepotism (KP2KKN) of Central Java records that during the year of 2012 there are 215 cases of alleged corruption to spread in 35 districts/cities in Central Java. The number of cases revealed is rising up more than 100 percent if compared to the case in 2011 which is about 102 cases of corruption. (Tempo.com, Dec. 2012). In this case, KP2KKN are only able to calculate the losses to the state of 71 percent from the 215 cases. From the 71 percent of it, there is a state loss of Rp. 381 billion.

As a resident of Central Java, the writer is encouraged to carry out a study on the corruption in Central Java and hopes to find a model of prevention that can be used as a reference for other provinces. This study leads more to system and human factors that are considered to provide an opportunity for government to do corruptions.

Lopa (1997) states that there are several causes of corruption which are originally due to a weak socio-economic conditions until the motivation to sustain life, but now has shifted to get the luxuries of life. The theory of *fraud* (corruption) is also stated by a criminologist, namely Donald Ray Cressey. Cressey (1950) writes that the factors that

cause people to commit *fraud* (financial fraud) are 3 (three), namely: *Motivation (Pressure)*; *Opportunity*; and *rationalization*.

A good system will have an impact on the good performance. One system that has been applied to both the company and other public organizations in various countries is *Good Governance* system. Good governance system is the one expected to reduce corruption done by the governments. Wilopo (2006) argues that in order to prevent and eliminate fraudulent practices, we can do the following preventions: first, effectuating internal control as good as possible, including enforcement of law; Second, Improving the monitoring and control system; third, Implementing *good governance*; and the fourth, making up moral of managers which is realized through developing an attitude of commitment to company, state and society.

Information and technology has been believed to be able to prevent or reduce corruption. This is evidenced by many studies on *e-government* that give results that *e-government* can reduce or prevent acts of corruption committed by governments. Cho and Choi (2004) build *e-government* project called '*OPEN*' in Korea (Online Procedures Enhancement for civil applications), and the project is successful in controlling corruption. Moreover, Bhatnagar (2004); Csáki and Gelléri (2005); Pathak and Prasad (2006); and Bhatnagar, Rao, Singh, Vaidya, and Mandal (2007) prove the same thing that *e-government* can reduce corruption.

## LITERATURE REVIEW

### *E-Governance*

*E-governance* is beyond the scope of *e-government*. If the *e-government* is defined as the delivery of government services and information to the public by using electronic means, *e-governance* allows direct participation of constituents in government activities. Blake Harris concludes the *e-governance* as follows: "*E-governance is not just about government web site and e-mail. It is not just about service delivery over the Internet. It is not just about digital access to government information or electronic payments. It will change how citizens relate to Governments as much as it changes how citizens relate to Each Other. It will bring forth new concepts of citizenship, both in terms of needs and responsibilities* ".

*E-governance* allows citizens to communicate with others and the government, to participate in the decision-making process, and to express the real need on welfare with the use of *e-government* as a means.

With regard to *e-governance*, there are two fundamental questions that need to get complete answers. First, how to establish *good governance* criteria for the use of IT itself, and second, how to locate the position of IT in achieving good governance of an organization, which is characterized by transparency, accountability, fairness, effectiveness, and can accommodate the participation of all society.

Indeed, the *good governance* and IT support each other. IT that is well managed, physically accessible, affordable, and responsive to human needs, in turn, will accelerate national development to become more democratic, sustainable, and facilitate the achievement of a more prosperous society. Some developed and developing

countries give examples on how the efforts of good governance always include elements of policy in the field of legal, financial and entrepreneurial groups to encourage innovation and new discoveries that lead to the formation of the company. Environment that can speed up public services in the establishment of the company and reverse small and medium enterprises to obtain credit capital is an environment that is able to encourage business actors to introduce new technology to the public.

Ultimately, the goal is to make more people can take advantage of IT, so that, IT can lead to social and economic transformation. Therefore, the more appropriate expression is "good governance by the use of IT, and IT to support good governance."

### **IT Implementation to Support Good Governance and anti-corruption**

Some countries have proven their success in using IT to support good governance and prevent corruption. In Korea, *E-Governance* is used as a *tool* for Anti-Corruption (Iqbal and Seo 2008). Korea builds Seoul Metropolitan Government project '*OPEN*' (Online Procedures Enhancement for civil applications); and Korea's Government e-Procurement System (*GePS*). Both projects are as "*an anti-corruption tool*". The results indicate that *e-governance* is an effective *tool* in the fight against corruption.

In Bangladesh (Iqbal, 2010), *e-governance* has been proven as an effective anti-corruption *tool*. Likewise, Thailand (Rotchanakitumnuai, 2013), *e-governance* through the application of *e-government procurement (e-GP)* succeeds to reduce corruption, though no guarantee to be the disappearance of corruption. In India (Pathak and Prasad, 2006), *e-governance* is not only to reduce corruption, but also to raise revenues that can be used for social purposes such as health, education and poverty eradication. Fiji and Ethiopia also use *e-governance* to reduce corruption (Pathak, Singh, Belwal, Nas, and Smith, 2007). The results of the studies in these countries show that *e-governance* is positively correlated with increasing relationship between government and citizens and can decrease corruption.

In Indonesia, *e-governance* has been started since the issuance of *Presidential Instruction No. 3/2003* of the National Policy and Strategy Development of E-Government. Transparency is one of the principles that must be met in order to realize *Good Public Governance* (NCG, 2010). Accordingly, Act No. 14 of 2008 on Public Information states that public information should be presented in a simple way to be easily accessible by the public. Styles and Tennyson (2007) state that the internet is a medium that is most easily accessible by the public and the most effective way to disseminate information to the government. Hermana et.al. (2012) succeed in accessing and analyzing 424 local government websites throughout Indonesia in June 2011. The results of these observations figure out a trend increase in the number of local government websites to be accessed by the public. Martani et al. (2013) note that from 439 local government websites, only 429 websites are accessible and observable in the period of the middle of May until the end of July 2013.

## Research method

### Population and Sample

The population in this study is all local governments in Central Java provinces. Unit of analysis in this study is the head of SKPD as policy maker. Samples are selected by using proportional random sampling method. The technique is by selecting four local governments that represent the position of the local government area. The four regions consist of Central Java province region of Central/Center, the South, the West, and the East Region. However, in this study each responsibility center should be represented by central revenue, costs, investment and profit.

Table 1  
Distribution of the local government area of sample

No.	Region Name	Sample Local Government	SKPDs
1	Central/Center	Government of Semarang and Central Java Province	<ul style="list-style-type: none"> <li>- Department of Revenue and Management of the Provincial Assets</li> <li>- Department of Revenue and Management of the Regional Assets</li> <li>- Department of City Planning</li> <li>- Department of Tourism</li> <li>- Department of Education</li> </ul>
2	South	Government of Salatiga	<ul style="list-style-type: none"> <li>- Department of Revenue and management of the Regional Asset</li> <li>- Department of nationalism and Politic</li> </ul>
3	West	Government of Pekalongan	<ul style="list-style-type: none"> <li>- Department of Revenue and management of the Regional Asset</li> <li>- Department of nationalism and Politic</li> </ul>
4	East	Government of Demak	<ul style="list-style-type: none"> <li>- Department of Revenue and management of the Regional Asset</li> <li>- Public Works Department</li> <li>- Regional Employment Board</li> <li>- Sekda</li> </ul>



## Operational Definition and Measurement of Variables

In this study, the independent variable is *e-governance*, and the dependent one is corruption. Here is the operational definition of each variable and its measurement:

### a. *E- Good Governance*

*E- Good governance* is the delivery of government services and information to the public using electronic means; e-governance allows direct participation of constituents in government activities. This variable is measured with the 3 dimensions, namely fairness, transparency and Internal Control.

### b. Corruption

Corruption is divided into three types: *state capture*, *influenced* and *administrative corruption*. *State capture* is a kind of corruption in which the second parties take part in the rules of government systems illegally (such as law, decision, regulation of law) by giving illegal or not transparent payments to public officials. *Influence corruption* is the capacity of second parties to influence the decision makers in the field of law and legislation by giving not-transparent payments like a bribe or other. *Administrative corruption* is the second party payments to public officials to expedite personal need (Joel, et. all, 2000).

## Research Design

The design of this study is a descriptive qualitative study by selecting "Human" as a source of data, collecting data, assessing the quality of the data and making conclusions on findings (Sugiono, 2009). Interview is done for the exchange of information and ideas through question and answer so that it can be confirmed a meaning of a particular topic (Sugiono, 2009).

## Finding and Discussion

### The Study of Corruption

The study of corruption is classified into three kinds. They are state capture, influence corruption and administrative corruption. Based on the survey and interview involving the respondents, the map of the study can be described as below:

**Table 2**  
**The Observation Analysis of Good Governance**

No.	Classification	Often	Seldom	Never
1	<i>state capture</i>		20%	80%
2	<i>influence corruption</i>	50%	45%	5%
3	<i>administrative corruption</i>	80%	20%	

Source : Analyzed Primary Data (2015)

The state capture corruption rarely happens. This is shown based on the interview that only 20% of the respondents answer it rarely happens while 80 % of them says it never happens. This shows that this classification of corruption eventhough it happens but is

rarely since five years lately. Based on the interview, 50% of the respondents answers the influence corruption often happens, 45% of them says it rarely happens, while the rest of them answer it never happens. While, the Administrative Corruption results 80% of them answer it always happens, while the rest answers it rarely happens. So, it can be concluded that the corruption which often occurs in Central Java is at the Administration classification, where there is other party(es) who intend to give payment to the government to smother their business with the district government.

### **The study of Information Technology**

The role of information technology for the government is very important to prevent corruption. Even though the technology system is only a tool or medium to reach the goal of organization faster and easier, it is also able to minimize the possibility of corruption. The tax payment or retribution resulted from online administration on public service will prevent the possibility of corruption or fraudulence. This is because all payment will be paid to one direction that is district government treasury. No matter how much and whatever the payment is, it can be known transparently and accountably by all parties including auditors of BPK, BPKP or inspectorat.

Based on the survey explained above, it can be concluded that the use of information technology has often be used to support the work of district government. Generally, they feel its role and its use to reach their goal faster and easier. For instance: Computer, Internet, dan other sophisticated softwares. However, there are still problems on the capacity of information technology and the human resources. The information technology of district government must be able to cover what all user need. The higher their need is, the higher the IT capacity will be. Based on the interview with the respondents, the current information technology has not accomodated yet all SKPD need. For instance, some of the SKPD still use old version offline computer.

The district government's human resource also support the performance of this information technology. No matter how good the information technology is, when it is not supported with competent human resources, so it will not be optimal. Based on the survey, there are some efforts conducted by the district government to improve the quality of human resources, for instance, SKPD give special treatment for IT staff by sending them to course or training which is in line with their field.

### **The Study of Good Governance**

Based on the survey, the understanding on good governance is generally good. This means that all SKPD understand the importance of good governance implementation for the district government especially to reduce or even to prevent corruption in Central Java Government. The importance of transparency, accountability, responsibility and justice is agreed and supported by all SKPD. The implementation of this principles must be kept and treated as a guidance of all SKPD to support their work. Even though most of them have already known and implemented good governance or good management, however, the most important is the commitment of the district government itself. No matter how good their system is, if all parties do not do their commitment like it does, the system will not work optimally. Therefore, the system of reward and punishment must be implemented fairly and transparently.

## Conclusion

Based on the discussion on the study of corruption, the study of information technology and good governance above, it can be concluded that corruption whether it is State Capture, Influence Corruption or Administrative Corruption can occur at anytime and anywhere. However, the most occurrence which then should be taken into account is at the Administrative Corruption. To prevent that kind of corruption, the district government must implement the use of e-governance or the implementation of Information Technology to support the implementation of good government management. Nonetheless, the most important thing is the commitment of all parties involved in the district government.

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